CSCanada
Management Science and Engineering
Vol. 6, No. 1, 2012, pp. 81-87
DOI:10.3968/j.mse.1913035X20120601.3200

ISSN 1913-0341 [Print]
ISSN 1913-035X [Online]
www.cscanada.net
www.cscanada.org

Board Process, Capital Structure Decisions and Company Performance

Aza Azlina Md Kassim[1,*]; Zuaini Ishak[2]; Nor Aziah Abdul Manaf[2]

[1] Faculty of Business, Universiti Selangor, 40000 Shah Alam, Selangor, Malaysia.
[2] College of Business, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia.
[*]Corresponding author.

Received 2 January 2012; accepted 15 March 2012.

Abstract

Previous studies have focused on board structure and company performance. Several numbers of studies have reported less evidence or no consensus on the relationship between the two. Therefore, attention has shifted to board process in order to provide better insight on the quality of the board. With regards to capital structure, the decision is an integral part of strategies implementation and related to company performance. The paper aims to examine three conceptual models on company performance; board process, capital structure decisions and mediation. The study finds insufficient consensus on the association between board process and capital structure decisions. This study incorporate four essential board process attributes namely, performance of independent directors, board's risks oversight, Chief Executive Officer (CEO)'s performance evaluation and accessibility of information. In addition, the conceptual models on the relationship between board process, capital structure and company performance provide an alternative approach unlike the traditional models in corporate governance and finance literatures.

Key words: Board process; Risk oversight; Performance evaluation; Independent directors; Capital structure; Company performance

Aza Azlina Md Kassim, Zuaini Ishak, Nor Aziah Abdul Manaf (2012). Board Process, Capital Structure Decisions and Company Performance. *Management Science and Engineering*, *6*(1), 81-87. Available from: URL: http://www.cscanada.net/index.php/mse/article/view/j.mse.1913035X20120601.3200
DOI: http://dx.doi.org/10.3968/j.mse.1913035X20120601.3200

INTRODUCTION

The board's primary function is to monitor the management's decisions and actions. The theoretical arguments of Jensen and Meckling (1976), Berger, Ofek and Yermack (1997), Yu, Rwegasira and Bilderbeek (2002) and Abor (2007) indicate that boards of directors have an important effect on capital structure decisions. Besides, many previous studies also suggest that boards influence company performance (Yermack, 1996; Dulewicz and Herbert (2004; Rohana, Halimi & Erlane, 2009). Those previous studies have concentrated more on board structure. Since the board structure alone does not reflect the quality of the board, study on board process is highly demanded. By studying the board process, the dimension will provide better understanding on the way directors discharge their duties (Leblanc, 2004). Therefore, the novelty of this research is the combination of board process elements with capital structure and company performance.

In this paper, three conceptual models are developed. First model explains the influence of board process on company capital structure. The second model examines the relationship between board process and company performance. The third framework explains on the mediation model. Board process will first influence company capital structure, which in turn affects company performance. In the following section, the board process variables are discussed. Then, three conceptual models are developed. Finally, the potential contributions of the study are presented.

1. BOARD PROCESS

Dimensions of Board Process

This study identifies four critical process for boards namely performance of independent directors, board's risks oversight, CEO's performance evaluation and accessibility of information.

Board's Risks Oversight

The role of monitoring by the board is the key component of risk management framework (Sobel and Reding, 2004). A good board risk oversight involves frequent updates from the senior management on risk matters (Raber, 2003) and the practice of senior management to conduct stress test or scenario analysis in identifying potential vulnerabilities (Finkelstein and Mooney, 2003). Besides, board should get the senior management to deliberate on emerging risks that the management perceives the company will be facing (Raber, 2003) and review the company strategy during crisis (Carey, Patsalox-Fox and Useem, 2009).

Performance of Independent Directors

Petra (2005) asserts that the independent directors influence the strength of company and decision making. Independent directors who contribute effectively in board committees, leveraging on his or her industries experience, accountable to shareholders and stakeholders as well as able to provide strategic vision will positively influence the decision making process (Ingley and Van der Walt, 2005). This supported the recommendation by Malaysian Code on Corporate Governance (MCCG) to have one-third of the board comprising of independent non-executive directors, as such directors are expected to provide unbiased judgment and independent monitoring on the managements' behavior and decisions.

CEO's Performance Evaluation

The board should have accessed to clear performance indicator in order to measure the CEO's performance (Finkelstein & Mooney, 2003). At the early stage, board should communicate clearly the criteria and measurement aspect that are being used in the assessment of the CEO (Epstein & Roy, 2005; Sobel & Reding, 2004; Taylor, Tracy, Renard, Harrison & Carroll, 1995). This action is considered as top down approach. Such communication will enhance the CEO's understanding of the board's expectation and vice versa. At the same time, CEO will have the chances to explain to the board on the possibilities and challenges that company might face which in turn will affect his or her performance evaluation (Epstein & Roy, 2005).

The result of evaluation must be communicated to the CEO so as to get their feedback or comments for possible corrective actions (Robbins & Judge, 2009; Dulewicz & Herbert, 1999; 2004). Besides, CEO should be permitted to challenge and discuss on their performance appraisal (Taylor *et al.*, 1995; Lipton & Lorsch, 1992). However, in a company where the CEO holds the position of the chairman simultaneously, the board will face difficulty in assessing the CEO's performance (Zahra & Pearce, 1989). Moreover, the board members who are appointed by the CEO are more likely to evaluate the CEO's performance in their favor (Epstein & Roy, 2005). It is reasonable to expect that there will be unbiased evaluation towards the CEO because of the relationship that they have.

Accessibility of Information

Directors must ensure that they receive adequate and meaningful materials prior to the board meetings so as to have adequate preparation (Finkelstein & Mooney, 2003; Park, 1995). Unable to do so, the directors do not have sufficient time to understand the issues. Consequently, the directors tend to agree with the decisions of the CEO without voicing out any arguments (Finkelstein and Mooney, 2003) including the company decisions that are against the shareholders interests, namely adopting excessive leverage. According to Zahra and Pearce (1989, p. 295) "*directors are not in a position to challenge CEO analyses or recommendations in the absence of reliable data*". Sufficient information and preparation will lead to better communication between directors and CEO or senior management. As a result, CEOs are more likely to be prudent in decision making by putting more attention and efforts as they are aware that directors are monitoring their actions closely.

2. THE CONCEPTUAL MODELS AND HYPOTHESES DEVELOPMENT

The Capital Structure Model

Pandey (2002) put forward his argument on definition of capital structure where according to him the definition should be based on the level of economy of that particular country. In US, most of the companies treat capital structure as long term debt ratio while in developing countries such as in Malaysia, companies tend to utilize short term and long term debt to finance their assets. The previous studies have focused on board structure, composition and characteristics in determining the board governance influence on company leverage. However, studies that incorporate the board process dimension in capital structure model are still limited. Thus, further studies are needed. The associations between four variables under board process and company capital structure are discussed as follows.

Performance of Independent Directors

The main functions of independent directors are to provide unbiased judgment for the best interest of shareholders and company (Yeap, 2009; Leblanc, 2004) as well as monitor the decision making activities (Fama & Jensen, 1983). By having sufficient skills and experience, independent directors are able to provide thorough assessment during decision making process (Finkelstein & Mooney, 2003). Besides that, frequently raising constructive questions to CEO and senior management will cause the managers to be more prudent in their decision makings. From the agency perspective, independent directors are expected to monitor independently the management work and decisions whereby ultimately they will influence the capital structure decisions.

The Malaysian Code of Corporate Governance and Bursa Malaysia Listing Requirements emphasize the importance of independent directors. Prior to the appointment, a few characteristics need to be evaluated namely their skills, knowledge, professionalism, experience, integrity and expertise. To recap, effective and competent independent directors will dissuade management from excessive risk taking in order to protect the shareholders. Hence, this study proposes that:

H1: Performance of independent directors is negatively related to company leverage

Board's Risks Oversight

Board's influence on risk management is an important aspect of board process particularly in decision making activities (Bostrom, 2003). Murphy and Brown (2009) argue that board who give less emphasizes on risk management can lead to company failure. Thus, the board's challenge is to manage the risk effectively (Cheah & Lee, 2009). Even though the ultimate responsibility of risk management is not on the board's shoulder, an effective board should provide "*direction, authority and oversight to management*" (Sobel & Reding, 2004, p. 31). The process will be effective by asking questions on the company total risks exposure to the management. Besides, it is the board's role to endorse and communicate the company risk tolerability in order to provide guidance to senior management in decision making. These practices in turn enhance the risk culture among the board members.

The Malaysian Code of Corporate Governance has outlined six specific board's responsibilities and this includes managing company risks. The latest requirements issued by stock exchange and reporting standards bodies have also stressed on enhancing the directors' role where board members need to have continuous process in evaluating, measuring and managing company risks (Puan, 2010). The board's ability on risk oversight will influence the management to take non-excessive leverage. This is supported by agency theory where the management needs to be monitored (Jensen and Meckling, 1976) and risk oversight is one of the mechanisms in monitoring the managerial actions and decisions. Therefore, from above argument it can be hypothesized that:

H2: Board's risk oversight is negatively related to company leverage

CEO's Performance Evaluation

CEO's performance evaluation refers to the measurement and procedures that was established by the board to evaluate a CEO. This measurement is one of the mechanisms that could influence CEO's behavior (Robbins & Judge, 2009; Dulewicz & Herbert, 2004; 1999). Therefore, by ensuring there is an effective key performance indicator to assess the CEO, the indicator will prevent the CEO from adopting excessive short term risk takings decisions. Besides, the rewards system should be tied to the CEO's performance (Zahra & Pearce, 1989) and specifically the system could be the function of short and long term performance. An effective evaluation system will reward the CEO fairly. From the agency view, board is one of the governance mechanisms that able to monitor the management actions and the evaluation process is an instrument to keep track of the CEO's performances.

The Malaysian Code of Corporate Governance has recommended that the effectiveness and contribution of every director on the board including the CEO need to be assessed. Therefore, the CEO will put extra attention on decision making process as their performance will be accessed through the outcome of their decisions. The reflection of CEO's performance can be seen from company profitability and the structure of capital. It is expected that the CEO will avoid excessive leverage so as not to expose the company in bankruptcy. The failure of the company will thus affect their reputation and job security. Hence, with the above arguments the next hypothesis is:

H3: CEO's performance evaluation is negatively related to company leverage

Accessibility of Information

In this study, it is presumed that by having sufficient access to company information, directors are able to make better quality decision making. Directors particularly the "*independent directors must be able to meet freely for discussions with the company's managers and workers, have access to business records and books of account, receive detailed information about board meeting agendas and obtain necessary outside professional services at the company's expense*" (Sang-Woo & Il, 2004, p. 63). Adequate information will enhance directors' knowledge and understanding on the company business activities, financial performance, strategies and various parties such as bankers, creditors and customers that have interests in the company. Therefore, directors will be able to scrutinize the ideas of CEO and senior management decision making (Zahra & Pearce, 1989; Finkelstein & Mooney, 2003). Such information will also prevent the management or controlling owner from manipulating the other board members.

The Malaysian Code on Corporate Governance emphasizes the importance of directors having access to company information. Besides, directors are allowed to seek any professional advice and the cost is being borne by the company in order to enhance the directors' knowledge on certain aspects. Thus, the following hypothesis is stated:

H4: Accessibility of information is negatively related to company leverage

The summary of hypotheses on the relationship between board process variables and company leverage is shown in Table 1.

Table 1
Board Process, Company Leverage and Mediation Models: Board Process-Company Leverage

Board Process	Company Leverage
1. Performance of independent directors	- (P1)
2. Board's risks oversight	- (P2)
3. CEO's performance evaluation	- (P3)
4. Accessibility of information	- (P4)

The Company Performance Model

Research on board process and company performance is highly needed (Macus, 2008). In Malaysia, research between the two dimensions is still scanty (Hasnah & Hasnah, 2008). Few studies have focused on the relationship between board process and company performance (see Ingley & Van der Walt, 2005; Kula, 2005; Kula & Tatoglu, 2006; Korac-Kakabadse et al., 2001) but all those studies are not conducted in Malaysian environment. Thus, this study hopes to reveal the relationship between board process and company performance.

Performance of Independent Directors

Effective independent directors have more capacity in monitoring the management decisions (Baysinger and Butler, 1985). Further, effective independent directors with broad skill sets and experience, are capable in providing check and balance in boardroom deliberation. In addition, these directors are able to understand the company business better and are more likely to improve the company value and sustainability (Yeap, 2009). Hasnah and Hasnah (2009) provide evidence that those independent directors who are able to provide unbiased view contribute to positive company performance. Thus, the following hypothesis to be tested in the study is:

H5: Performance of independent directors is positively related to company performance

Board's Risks Oversight

In company risk management framework, the role of monitoring is the main responsibility of the board (Sobel & Reding, 2004). Further, by having an effective risk oversight the decision making process will always be monitored. A poor risk oversight among board members can bring huge losses to the companies (Shanmugam, 2008). In addition, Dulewic and Herbert (2004) discover that a board who evaluates current and future internal and external risks of the company will have a positive impact on company performance. Therefore, this study proposes that:

H6: Board's risk oversight is positively related to company performance

CEO's Performance Evaluation

The evaluation process enables the boards to keep track and provide suggestions on CEO's performance. This brings positive consequences to the company as the CEOs become aware that they are being monitored and assessed closely by the board (Robbins & Judge, 2009; Dulewicz & Herbert, 1999; 2004). In a similar vein, Kula and Tatoglu (2006) and Kula (2005) find out that an effective performance evaluation contributes to positive company performance. This leads to the development of the following hypothesis:

H7: CEO's performance evaluation is positively related to company performance

Accessibility of Information

Having more access to information allows directors to improve their problem solving ability during board deliberation (Macus, 2008) and establish sound strategies. Besides that, directors with sufficient information able to enhance their accountability towards the shareholders (Kula, 2005), provide constructive arguments to top management (Zahra & Pearce, 1989) and prepare for the board meeting (Finkelstein & Mooney, 2003). Hasnah and Hasnah (2009) find the evidence on the relationship between the board's role in acquiring company information and performance. They find a positive association between the two variables. Besides, Kula and Tatoglu (2006) assert that accessibility of information is the key component in improving the company performance. With the arguments, the next hypothesis is:

H8: Accessibility of information is positively related to company performance

Table 2 presents the summary of hypotheses on the relationship between board process variables and company performance.

Table 2
Board Process, Company Leverage and Mediation Models: Board Process Company Performance

Board Process	Company Performance
1. Performance of independent directors	+ (P5)
2. Board's risks oversight	+ (P6)
3. CEO's performance evaluation	+ (P7)
4. Accessibility of information	+ (P8)

The Mediation Model

Board processes are expected to improve company performance through its effect on company leverage. From the experience in 1997/1998 crisis, it shows that leverage is the culprit of failure for many companies (Fong, 2008). In addition, Datuk Megat Najmuddin Khas in the year 2000 has voiced out his frustration towards Malaysian public companies' directors (Thomas, 2002). According to him there are directors who have not played their duties diligently specifically the non-executive directors. In the case where the board does not mitigate the risks of having excessive leverage, the company will suffer (Murphy and Brown, 2009). Increase in leverage, in turn, leads to lower return to shareholders (Chang, 2004; Tam & Tan, 2007). The situation helps to understand that company performance will suffer by having ineffective board members (Johnson, Daily & Ellstrand, 1996).

Thus, when directors play their role effectively particularly monitoring and services role, they are expected to influence the management to invest in a less risk capital structure decisions (Mande, Park & Son, 2012). The effectiveness of board in influencing the capital structure decision will give effect to company performance. The study believes that it is crucial to empirically examine leverage as a potential mediator. Reason being, the mediator variable helps to explain the relationship between board process and company performance. Hence, the following hypotheses are proposed:

H9: Company leverage mediates the relationship between performance of independent directors and company performance

H10: Company leverage mediates the relationship between board's risk oversight and company performance

H11: Company leverage mediates the relationship between CEO's performance evaluation and company performance

H12: Company leverage mediates the relationship between accessibility of information and company performance

3. POTENTIAL CONTRIBUTIONS AND CONCLUSION

This study extends the capital structure and corporate governance research. Prior studies have focused on the impact of board structure, board composition and board characteristics on capital structure (see for example Abor, 2007; Yu *et al.*, 2002; Berger *et al.*, 1997). However, there is still limited study on board process and it "is possibly due to the difficulty of gaining access to boards" (Wan & Ong, 2005, p. 287). The study could fill an important gap in governance studies (Finkelstein and Mooney, 2003) as many areas in this area have not been explored and the difficulty in collecting data from directors is not an excuse.

Nicholson and Kiel (2007, p.604) propose that "*understanding the intervening variables that influence the board of directors-firm performance relationship is critical to developing a more integrative approach*." Hence, this study is designed to go beyond the earlier studies by incorporating the mediator variable which is represented by leverage. The purpose of using leverage as the mediator variable is to explain the effectiveness of directors that influence company performance through the decision on capital structure. This is also being recommended by La Rocca (2007) where a model which incorporates corporate governance variables, capital structure and company value is needed for future research.

Furthermore, there is still a scanty study in the area of board's risk oversights. As the directors' role on risk management has become pertinent nowadays, this study will offer a clearer picture on the board's role in risk oversight. In addition, this study hopes to identify whether there is any significant influence of board's risk oversights on company leverage and company performance.

In addition, previous studies assume that the composition of independent directors is associated with the level of monitoring towards the management (Hsu-Huei, Paochung, Haider & Yun-Lin, 2008; Abor, 2007) and very scanty studies have specifically focused on the performance of independent directors. Thus, a further contribution in this study is to determine whether there is any significant relationship between the performance of Malaysian independent directors with company leverage and company performance.

From theoretical perspectives, this study will extend the application of agency theory within the context of board effectiveness. However, the effectiveness of directors is very much important in today research. As company is facing various challenges due to uncertain economic condition, the way directors run the board does matters. Thus, it is very much appropriate to look at the applicability of this theory on board process.

The findings may assist the regulatory bodies in determining whether existing requirement on corporate governance imposed upon all companies are adequate. In addition, the findings on board process particularly may assist the board members to maximize their contribution and improve their roles during board deliberation. With regards to shareholders, this study will enhance their understanding on how board process could influence company leverage and company performance. As board process is the key component of directors' role, it is expected that the existence of effective board will lead to effective decision makings process and thus improve company performance.

The elements of board effectiveness inspire a strong sense of accountability within the board. With a challenging business environment nowadays, the attitude is vital in ensuring that a company is applying the right strategies to achieve continuous excellent performance.

REFERENCES

[1] Abor, J. (2007). Corporate Governance and Financing Decisions of Ghanaian Listed Firms. *The International Journal of Effective Board Performance, 7*(1), 83-92.

[2] Baysinger, B. & Butler, H. (1985). Corporate Governance

and Board of Directors: Performance Effects of Changes in Board Composition. *Journal of Law, Economics and Organization, 1*(1), 101-124.

[3] Bostrom, R. E. (2003). Corporate Governance: Developments and Best Practices One Year after Sarbanes-Oxley. *International Financial Law Review, 22*(10), 189-204.

[4] Berger, A. N., Ofek, E. & Yermack, D. L. (1997). Managerial Entrenchment and Capital Structure Decisions. *Journal of Finance, 52*(4), 1411-1438.

[5] Carey, D., Patsalos-Fox, M. & Useem, M. (2009, October 26). Leadership Lessons for Hard Times. *The Edge Malaysia* (pp. MW6-MW7).

[6] Chang, A. L. (2004). The Impact of Corporate Governance Practices on Firms' Financial Performance: Evidence from Malaysian Companies. *ASEAN Economic Bulletin, 21*(3), 308-318.

[7] Cheah, F. S. & Lee, L. S. (2009). *Corporate Governance in Malaysia: Principles and Practices*. Petaling Jaya: August Publishing Sdn Bhd.

[8] Dulewicz, V. & Herbert, P. (1999). The Priorities and Performance of Boards in UK Public Companies. *Corporate Governance: An International Review, 7*(2), 178-189.

[9] Dulewicz, V. & Herbert, P. (2004). Does the Composition and Practice of Boards of Directors Bear Any Relationship to the Performance of Their Companies? *Corporate Governance, 12*(3), 263-280.

[10] Epstein, M. J. & Roy, M. (2005). Evaluating and Monitoring CEO Performance: Evidence from US Compensation Committee Reports. *Corporate Governance, 5*(4), 75-87.

[11] Fama, E. F. & Jensen, M. C. (1983). Separation of Ownership and Control. *Journal of Law and Economics, 26*(2), 301-323.

[12] Finkelstein, S. & Mooney, A. C. (2003). Not the Usual Suspects: How to Use Board Process to Make Boards Better. *Academy of Management Executive, 17*(2), 101-113.

[13] Fong, K. (2008, November 3). On Safer Ground. *The Edge Malaysia* (pp. 66-67).

[14] Hasnah, K. & Hasnah, H. (2008). Roles of Board of Directors and Their Relationship with Performance of Malaysian Listed Companies. *Proceedings of the Malaysian Finance Association Conference, Sarawak*, June 2008.

[15] Hasnah, K. & Hasnah, H. (2009). Roles of Board of Directors: Evidence from Malaysian Listed Companies. *Corporate Board: Role, Duties & Composition, 5*(1), 22-36.

[16] Hsu-Huei, H., Paochung, H., Haider, A. K. & Yun-Lin, Y. (2008). Does the Appointment of an Outside Director Increase Firm Value? Evidence from Taiwan. *Emerging Markets Finance & Trade, 44*(3), 66-80.

[17] Ingley, C. & Van der Walt, N. (2005). Do Board Processes Influence Director and Board Performance? Statutory and Performance Implications. *Corporate Governance, 13*(5), 632-653.

[18] Jensen, M. C. & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics, 3*(4), 305-360.

[19] Johnson, J. L., Daily, C. M. & Ellstrand, A. E. (1996). Boards of Directors: A Review and Research Agenda. *Journal of Management, 22*(3), 409-438.

[20] Korac-Kakabadse, N., Kakabadse, A. K. & Kouzmin, A. (2001). Board Governance and Company Performance: Any Correlations? *Corporate Governance: International Journal of Business in Society, 1*(1), 24-30.

[21] Kula, V. (2005). The Impact of the Roles, Structure and Process of Boards on Firm Performance: Evidence Endure From Turkey. *Corporate Governance: An International Review, 13*(2), 265-276.

[22] Kula, V. & Tatoglu, E. (2006). Board Process Attributes and Company Performance of Family-Owned Business in Turkey. *Corporate Governance: The International Journal of Effective Board Performance, 6*(5), 624-634.

[23] La Rocca, M. (2007). The Influence of Corporate Governance on the Relation Between Capital Structure and Value. *Corporate Governance: The International Journal of Effective Board Performance, 7*(3), 312-323.

[24] Leblanc, R. W. (2004). What's Wrong with Corporate Governance: A Note. *Corporate Governance, 12*(4), 436-441.

[25] Lipton, M. & Lorsch, J. W. (1992). A Modest Proposal for Improved Corporate Governance. *Business Lawyer, 48*(1), 59-77.

[26] Macus, M. (2008). Board Capability. *International Studies of Management and Organization, 38*(3), 98-116.

[27] Mande, V., Park, Y. & Son, M. (2012). Equity or Debt Financing: Does Good Corporate Governance Matter? *Corporate Governance: An International Review, 20*(2), 195-211.

[28] Murphy, C. & Brown, J. F. (2009, March 9). *Managing Risk at Board Level*. The Edge Malaysia (pp. 57).

[29] Nicholson, G. J. & Kiel, G. C. (2007). Can Directors Impact Performance? A Case-Based Test of Three Theories of Corporate Governance. *Corporate Governance: An International Review, 15*(4), 585-606.

[30] Pandey, I. M. (2002). Capital Structure and Market Power Interaction: Evidence from Malaysia. *Capital Market Review, 10*(1), 23-40.

[31] Park, J., C. (1995). Reengineering Boards of Directors. *Business Horizons, 38*(2), 63-69.

[32] Petra, S. T. (2005). Do Outside Independent Directors Strengthen Corporate Boards? *Corporate Governance, 5*(1), 55-64.

[33] Puan, Y. (2010). Board Structures and the Establishment of a Risk Management Committee by Malaysian Listed Firms. *Journal of Management and Governance, 14*(1), 17-36.

[34] Raber, R. W. (2003). The Role of Good Corporate Governance in Overseeing Risk. *Corporate Governance Advisor, 11*(2), 11-16.

[35] Robbins, S. P. & Judge, T. A. (2009). *Organizational Behavior* (13th ed.). New Jersey: Prentice Hall.

[36] Rohana, O., Halimi, P. & Erlane, K. G. (2009). The Effect

of Board Structure on Shareholders' Wealth in Small Listed Companies in Malaysia. *Management Science and Engineering, 3*(4), 1-15.

[37] Sang-Woo, N. & Il, C., N. (2004). *Corporate Governance in Asia: Recent Evidence from Indonesia, Republic of Korea, Malaysia and Thailand.* Asian Development Bank Institute.

[38] Shanmugam, M. (2008, April 14). The Buck Stops with Zubir. *The Edge Malaysia* (pp. 10).

[39] Sobel, P. J. & Reding, K. F. (2004). Aligning Corporate Governance with Enterprise Risk Management. *Management Accounting Quarterly, 5*(2), 29-37.

[40] Tam, O. K. & Tan, M. G. S. (2007). Ownership, governance and Firm Performance in Malaysia. *Corporate Governance: An International Review, 15*(2), 208-222.

[41] Taylor, M. S., Tracy, K. B., Renard, M. K., Harrison, J. K. & Carroll, S. J. (1995). Due Process in Performance Appraisal: a Quasi-Experiment in Procedural Justice. *Administrative Science Quarterly, 40*(3), 495-523.

[42] Thomas, T. (2002). Corporate Governance and Debt in the Malaysian Financial Crisis of 1997-98. *Working Paper Series: No 24*, Retrived from http://www.competition-regulation.org.uk/publications /working_papers /wp24.pdf.

[43] Wan, D. & Ong, C. H. (2005). Board Structure, Process and Performance: Evidence From Public-Listed Companies in Singapore. *Corporate Governance, 13*(2), 277-290.

[44] Yeap, C. (2009, August 24). Need for Effective Independent Directors. *The Edge Malaysia* (pp. 60).

[45] Yermack, D. (1996). Higher Market Valuation of Companies With a Small Board of Directors. *Journal of Financial Economics, 40*(2), 185-212.

[46] Yu, W., Rwegasira, K. & Bilderbeek, J. (2002). Corporate Governance and Capital Structure Decisions of the Chinese Listed Firms. *Corporate governance: An International Review, 10*(2), 75-83.

[47] Zahra, S. A. & Pearce, J. A. (1989). Boards of Directors and Corporate Financial Performance: A Review and Integrative Model. *Journal of Management, 15*(2), 291-334.

